

Ergon Energy Interim Report

For the half year ended 31 December 2010

Highlights

During the first half of 2010/11, Ergon Energy achieved good results in the key areas of safety, network outages and delivery of the capital works program. However, the capital works program will be impacted over the next six months due to the extensive floods in recent times.

Of note is the improvement in the behavioural focus on safety. A major milestone was achieved by one of our large operational teams recording 12 months without a lost time injury.

Until Cyclone Tasha hit Cairns on Christmas morning, performance against all six SAIDI and SAIFI Minimum Service Standards (MSS) was favourable. A pleasing development following the Queensland Competition Authority's Warning Notice and a concerted effort to improve MSS performance.

Ergon Energy negotiated a pilot site agreement with the National Broadband Network Company to utilise our infrastructure in Townsville. This will help facilitate the roll out of high speed broadband connections to approximately 2,700 homes and businesses. These installation activities will be combined with other network maintenance activities where possible to provide greater efficiency and operational benefit.

During the period Ergon Energy's efforts were rewarded with a number of industry awards:

- the Solar City project's community engagement program took out the Environmental Category top award at the Public Relations Institute of Australia Queensland Awards for Excellence
- Ergon Energy was recognised as Queensland's leading employer for the prevention of injuries to its people at an awards ceremony hosted by CRS Australia
- our commitment to delivering customer service excellence generated two awards at the Australian Service Excellence Awards.

Financial Results*

Six months to 31 December	2010	2009
Earnings Before Interest & Tax	\$351.6M	\$211.9M
Net Profit After Tax	\$144.1M	\$62.5M
Return on Equity	5.3%	2.4%
Return on Assets	4.0%	2.7%

Overall financial performance has improved compared to the previous period. This is principally due to:

- reductions in the cost of energy purchases
- increased customer capital contributions
- increased service and network usage charges in accordance with the Australian Energy Regulator (AER) determination process
- continuing focus on cost efficiencies.

Ergon Energy's Annual Financial Statements and Statement of Corporate Intent for 2009/10 were tabled in Parliament.

Capital Program

Total capital expenditure for the period is \$381.6 million.

Major projects completed include:

- Cameby Downs Coal mine - design only
- Columboola Mine Substation and Line
- Louisa Creek Substation.

The capital works program is currently being re-scoped due to flood impacts.

Non-Financial Results

Six months to 31 December	2010	2009
All Injury Frequency Rate (AIFR) ¹	14.07	13.16
System Average Interruption Duration Index (SAIDI) ²	213	274
Maximum Peak Demand	2,268MW	2,542MW

Ergon Energy has achieved good results in a number of key non financial operational metrics. Of note was the overall SAIDI network performance, which improved by 22% from December 2009.

As AIFR is calculated on a rolling 12 month basis, recent improvements in the safety performance are not yet reflected in the results.

The variance to Maximum Peak Demand was primarily due to a reduction in actual load due to milder temperatures experienced throughout the reporting period.

Corporate Entertainment and Hospitality (Over \$5,000)

Six months to 31 December	Date	Cost
Southern Employee 2010 Christmas Function – Toowoomba	Dec 2010	\$9,100
South east Employee 2010 Christmas Function – Brisbane	Dec 2010	\$6,020

In furthering Ergon Energy's business interests and working to achieve its corporate goals, from time to time entertainment and hospitality is provided to employees, customers and community groups. Reasonable limits have been observed for aggregate event expenditure and expenditure per head taking into account the nature of the event. This only includes functions processed in the accounts by 31 December 2010.

This report has been prepared based on information readily available as at 31 December 2010, and has been prepared for general information purposes. Representations made in this report may be subject to change and should not be relied upon.

** The financial information provided in this document is unaudited. For audited information and more detailed financial statements please see the Annual Financial Statements 2009/10.*

1. AIFR - is a frequency rate of the number of injuries per million hours worked on a rolling twelve month basis. 'All Injuries' is made up of Lost Time Injuries and Medical Treatment Injuries.

2. SAIDI - is the average of the total duration (expressed in minutes) of interruptions of supply that a customer has experienced in the reporting period 1 July 2010 to 31 December 2010.

